UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

Empowered lives.
Resilient nations.

AUDIT

OF

UNDP COUNTRY OFFICE

IN

SOMALIA

Report No. 1299

Issue Date: 20 June 2014

Table of Contents

Report on the audit of UNDP Somalia
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Somalia (the Office) from 24 March to 10 April 2014. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

(a) governance and strategic management (organizational structure, leadership, ethics and values, risk management, planning, monitoring and reporting, financial sustainability);

(b) United Nations system coordination (development activities, support to the Resident Coordinator's Office);

(c) programme activities (programme management, partnerships and resource mobilization, project management); and

(d) operations (human resources, finance, procurement, information and communication technology, general administration, asset management, leave management).

The audit covered the activities of the Office from 1 January to 31 December 2013. The Office's premises for both Kenya and Somalia are located in the United Nations complexes in Nairobi, and therefore the audit did not cover safety and security, as this is being managed by the United Nations Office at Nairobi. Additionally, the Harmonized Approach to Cash Transfers as a modality in the Country was also not audited, as it had not yet been introduced by the United Nations Country Team. The Office recorded programme and management expenditures during the audit review period totalling $59 million. The last audit of the Office was conducted by OAI in 2012.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in governance and strategic management, and programme activities.

Some allegations of possible misconduct were brought to the attention of OAI and are being dealt with separately.

Key recommendations: Total = **6**, high priority = **2**

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Outdated organograms and inconsistent job descriptions (Issue 1)	The Office organogram had not been updated since 2012. Reporting lines were unclear and inconsistent when compared with job descriptions. <u>Recommendation</u>: Review and update the Office's organogram to improve the

	organizational structure and functioning of all offices, and to clarify roles, responsibilities and accountabilities.
Weak practices in project supervision and assessment of implementing partners (Issue 3)	Overall project supervision and capacity assessment of implementing partners were inadequate. At the office level, practices on capacity assessments of implementing partners were inadequate, field verification visits were insufficient and funds provided to partners were not recorded as advances. At the project level, project documents were not signed by and shared with government representatives, project boards did not meet regularly, and project reports were either poorly written or not prepared at all. All of these practices resulted in weak supervision of project implementation, poor risk management, and lack of proper reporting of funds utilization. Recommendation: Improve programme and project implementation by strengthening the supervision and oversight of projects, assessing and monitoring capacities of implementing partners, and managing related risks.

Implementation status of previous OAI audit recommendations: Report No. 965, 10 August 2012.
Total recommendations: 9
Implementation status: 33 percent.

The low rate of implementation is the result of the difficult operating environment in the Country including the attack on the United Nations compound in Mogadishu in June 2013. This was coupled with successive management change in the Office since the last audit.

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less impact (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Nairobi, Kenya due to the security situation in Somalia (the Country). In 2013, measures were taken to formally relocate the Office to Mogadishu, Somalia, but those activities were put on hold following the attacks on the United Nations compound in Mogadishu in June 2013. The Office continued to have a presence in the Country, with senior management being in Mogadishu and in two sub-offices in Garowe and Hargeisa. During the period audited (1 January-31 December 2013), the Office employed 88 staff and had a programme delivery totalling $53 million. The Office's 2011-2015 Country Programme Document focused on governance and the rule of law, poverty reduction and environment, and gender.

II. Audit results

Satisfactory performance was noted in the following area:

Partnerships and resource mobilization. The Office had in place a resource mobilization strategy and a system for tracking donor reporting and contributions. The Office mobilized a total of $213 million out of $220 million, which was the target set in the 2011-2015 Country Programme Document.

OAI made six recommendations ranked high (critical) and medium (important) priority.

Low priority recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

(a) Review and update the Office's organogram to improve the organizational structure and functioning of all offices, and to clarify roles, responsibilities and accountabilities (Recommendation 1).
(b) Improve programme and project implementation by strengthening the supervision and oversight of projects, assessing and monitoring capacities of implementing partners, and managing related risks (Recommendation 3).

Medium priority recommendations, arranged according to significance:

(a) Improve the allocation process for common premises and services and the billing system for the collection of contributions from the participating agencies (Recommendation 5).
(b) Complete the 2014 Business Continuity Plan and test all critical operations and document results (Recommendation 6).
(c) Adhere to procurement guidelines on management of contracts particularly in conducting competitive selection, negotiating and managing contracts, and approving payments (Recommendation 4).
(d) Enhance financial reporting and budgeting at the Resident Coordinator's Office (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

Issue 1 Outdated organograms and inconsistent job descriptions

Office management is responsible for defining an organizational structure that enables the office to achieve its objectives and deliver results, and then formulate job descriptions that are aligned to an organogram to ensure clarity of reporting lines, roles and accountabilities. This process requires regular review and continuous updating of both the organogram and job descriptions, based on ongoing changes in the Office.

The Office organogram had not been updated since 2012. Reporting lines were unclear and inconsistent when compared with job descriptions. In particular, OAI noted:

- The Office's consolidated organogram for the Country (offices in Nairobi, Kenya and in Mogadishu, sub-offices in Garowe and Hargeisa, and field offices in Baidowa and Bossaso in Somalia) was not consistent with the organograms of the respective sub-offices. Specifically, the Office's consolidated organogram indicated that heads of the sub-offices reported directly to the Country Director, and that they did not have supervisory role over projects and Operations Managers at sub-offices. However, the respective sub-office organograms for Garowe and Hargeisa showed the heads of sub-offices with supervisory roles over projects and operations at sub-offices. According to their job descriptions, heads of sub-offices had overall responsibilities over sub-offices' projects and operations are under the direct supervision of the Country Director.

- Terms of reference of Project Managers and Area Project Managers were inconsistent with reporting lines to heads of sub-offices. OAI reviewed the terms of reference of 10 Project Managers and Area Project Managers and found that only 2 (both in the Garowe sub-office) actually had reporting lines to the heads of sub-offices. The remaining job descriptions of Area Project Managers had reporting lines only to Programme Managers or National Project Managers, which meant that the respective heads of sub-offices were by-passed in reporting and information flows, even though they were formally responsible for heading the sub-offices.

- The Programme Support Unit was in the Partnerships and Planning Unit reporting primarily to the Country Director and secondly to Deputy Country Director for Programmes. The 'Internal Control Framework' recommended that the Programme Support Unit be merged with the Finance Unit, or at least to report primarily or secondarily to the Deputy Country Director for Operations.

- The head of finance was also managing the Administration Unit. Considering the size and complexity of general administration, which included asset management, common services, travel and vehicle management for the main offices (in Mogadishu and Nairobi) as well as two sub-offices (in Hargeisa and Garowe) and their field offices (Baidowa and Bossaso), such an arrangement was inadequate for supervising all functions in general administration and in finance.

Organograms that do not establish clear reporting lines that are aligned with functions may result in unclear roles, responsibilities, and accountabilities. Furthermore, unclear reporting lines may have a negative impact on communication and the overall functioning of these offices.

Priority	High (Critical)
Recommendation 1: Review and update the Office's organogram to improve the organizational structure and functioning of all offices, and to clarify roles, responsibilities and accountabilities by: (a) clarifying the reporting lines between heads of sub-offices and the Office's senior management, Programme Managers and projects and operations units at sub-offices and Project Managers/Area Project Managers and updating the relevant job descriptions; (b) revising the functions and reporting lines of the Programme Support Unit and the Operations Unit management to comply with the 'Internal Control Framework'; (c) revising the terms of reference of Area/Project Managers so as to ensure consistent reporting lines to heads of sub-offices; and (d) providing more supervision of the General Administration Unit, taking into consideration the scope of the Unit and the remote distances between the Office and sub-offices. This may necessitate a review of work processes against available capacity and resources to identify and fill supervisory gaps.	
Management action plan: The Office is currently reviewing and realigning the structure and relationships between offices and office sections in order to harmonize and ensure consistency. Specifically: (a) The sub-office guidelines are being reviewed, with the intent of clarifying and harmonizing reporting relationships. All terms of reference at the sub-office level will then be reviewed for consistency with agreed principles and standards for reporting lines. (b) The Policy and Planning Unit's programme support functions (relating to financial management of donor contributions and cost recovery) will be strengthened through closer coordination with the head of finance unit and by establishing a secondary reporting line to the Deputy Country Director (Operations) with regard to the above mentioned issues. (c) Terms of reference will be reviewed and harmonized in line with point (a). (d) A review of work processes and capacity within the Finance and Administration Unit will be undertaken in order to determine the optimal structure for the Office. **Estimated completion date:** 31 December 2014	

B. United Nations system coordination

Issue 2 Non-compliance with financial reporting requirement

The United Nations Development Group's 'Programming Reference Guide' stipulates that the Resident Coordinator's Office is responsible for providing technical support to the United Nations Country Team in terms of analysis, planning, tracking and reporting. In order to assist Resident Coordinator's Offices in undertaking those functions, the United Nations Development Operations Coordination Office has produced guidelines and standard online templates to be used for completing annual work plans, financial plans for the use of regular resources, and progress reporting.

The Resident Coordinator's Office expended $3 million in 2013 from regular budget resources (Project ID 00032314). The Resident Coordinator's Office did not provide a financial report to the United Nations Development Operations Coordination Office on how the $3 million was expended.

A review of budget expenditures in Atlas for 2013 and 2014 also showed that the Office failed to set up the budget in Atlas as per the guidelines provided by the United Nations Development Operations Coordination Office. Instead, the Office introduced a generic budget set-up to monitor its expenditures in Atlas. ["Atlas" is UNDP's enterprise resource planning system.]

The lack of financial reporting and the inadequate budget set-up in Atlas increases the risk of expenditures not being closely monitored and inappropriate expenditures going unnoticed.

Priority	Medium (Important)

Recommendation 2:

Enhance financial reporting and budgeting at the Resident Coordinator's Office by:

(a) preparing and submitting financial reports to the United Nations Development Operations Coordination Office at the end of the year, with details on how resources were expended; and
(b) setting up budgets in Atlas in accordance with guidelines provided by the United Nations Development Operations Coordination Office.

Management action plan:

The Resident Coordinator's Office will ensure that (a) financial reports for regular resources are submitted to the United Nations Development Operations Coordination Office at the end of the year, and (b) that Atlas budgets are set up in accordance with guidelines provided by United Nations Development Operations Coordination Office.

Estimated completion date: 31 December 2014

C. Programme activities

Issue 3 Weak practices in project supervision and assessment of implementing partners

Offices must ensure that adequate supervision, risk management and a comprehensive accountability framework are in place for the implementation of the Country Programme, particularly in high risk operating environments like Somalia.

Although the Office operated under the overall umbrella of the direct implementation modality, 17 percent of delivery in 2013 was implemented through government and non-governmental organizations via Letters of Agreement and Micro-Capital Grant Agreements ($6.6 million and $2.4 million, respectively). OAI observed weaknesses in programme/project related activities, both at the Office and project levels.

Weaknesses at the Office level:

- Erroneous recording of advances – A total of $6.6 million which was provided to government partners under Letters of Agreement were recorded in Atlas as 'grants'. These were recorded as direct expenses, and not as 'advances', which require appropriate documentation of how these were expended. Therefore, the Office could not track how such advances were expensed and how accountability for those funds was discharged.

- Lack of capacity assessments for implementing partners – OAI reviewed a sample of five Letters of Agreement (with a total value of $3.4 million) out of a total of 28 signed agreements (with a total value of $6.6 million). The sample represented 54 percent of the total value of signed agreements in 2013. For four out of the five signed agreements, capacity assessments of the concerned implementing partners were not undertaken.

  OAI reviewed the capacity assessment undertaken for the one agreement, and noted that the details provided did not take into account the high risk environment in which the project was implemented. The assessment was generally based on the Office's earlier experience in working with the prospective partner, as opposed to an exhaustive analysis of the partner's managerial, financial and technical capacities. Due to the lack of capacity assessments, the Office could not determine whether government partners actually had the capabilities and systems in place to implement, account and report for the funds provided by UNDP. As such, the Office could not take timely and necessary measures to properly mitigate risks of irregularities in funds accounting and reporting or of potential fraud. During the period under review, several cases of alleged fraud by implementing partners were under investigation by OAI.

- Insufficient field verification visits – Field verification visits, which are to be undertaken as a project assurance measure by Office staff, were not undertaken as mandated by UNDP's 'Programme and Operations Policies and Procedures' for all six projects sampled (IDs 14781, 51402, 58607, 58616, 50475, 60507). Project-level verification, which is to be undertaken as part of project management by project staff, did not take place for half of the projects sampled (58607, 50475, 60507).

Weaknesses at the project level:

- Failure to sign project documents – A review of project documents for five out of six sampled projects showed that these were not signed by government representatives (Project IDs 14781, 51402, 58607, 58616, 50475). According to project staff and government counterparts, the project documents were not shared with the Government. Instead, "extracts" of these documents were shared and agreed upon for implementation with the Government as part of Letters of Agreement.

- Weak oversight by project boards – Project boards, which were supposed to oversee the implementation for projects, did not meet regularly for two out of the six projects sampled (IDs 58616, 51402). For the other four projects (IDs 14781, 51402, 58607, 50475), the project boards did not meet at all during the audit period. Government representatives met by OAI expressed frustrations at not knowing what was happening on projects and why particular strategies were being followed or changed at any given point in time.

- Inadequate project reporting – Four of the six sampled projects had poorly written quarterly and annual project reports (58607, 58616, 50475, 60507). Reporting was not based on activities set out in the 'Annual Work Plan'. Financial reports consisted of only one line item indicating a single amount representing the total resources expended during the reporting period. In the case of one of the six projects sampled, there were no project reports produced (IDs 14781).

Failure to institute effective supervision, risk management and accountability systems for programmes and projects exposes the Office to high risks of poor quality or undelivered programme results, as well as mismanaged or misappropriated UNDP resources.

Priority	High (Critical)

Recommendation 3:

Improve programme and project implementation by strengthening the supervision and oversight of projects, assessing and monitoring capacities of implementing partners, and managing related risks. Specifically, these include:

(a) ensuring that funds provided to governments are recorded with the correct budget codes in Atlas to enable tracking of and reporting of funds;
(b) undertaking detailed capacity assessments for all existing and prospective implementing partners by a professional third party - the capacity assessments should, as a minimum, cover the areas prescribed by the "Checklist B" assessment which is defined in the United Nations Development Group's Framework Guidelines for the Harmonized Approach to Cash Transfers;
(c) adjusting project implementation arrangements with due regard of the capacities of implementing partners so as to take into account the risks identified through capacity assessments;
(d) having government counterparts sign project documents for all new and current projects to formalize their accountability for the projects;
(e) establishing new or reorganizing existing project boards for all projects and ensuring that they meet on a regular basis to oversee projects and manage risks;
(f) preparing for all projects adequate quarterly and annual reports and assessing results against the targets and activities in the approved Annual Work Plans; and
(g) instituting project assurance functions at the programme level and having officers undertake field verification visits at least twice a year and prepare high quality reports.

Management action plan:

Advances to Government: Starting from January 2014 all advances to government partners will be reflected in Atlas as advances. The Office's Finance Unit and Programme/Planning Unit are currently rolling out guidance notes and establishing the necessary monitoring requirements. Payments processed outside of the advance modality will be reversed and monitored accordingly hence forth.

Capacity assessments: The Office will consider, jointly with the United Nations Country Team and the Government, the possibility of rolling out the Harmonized Approach to Cash Transfers in the Country. Proper micro-assessments for all existing and prospective implementing partners will be rolled out in 2014. As of 2014, the Policy and Planning Unit will:

(a) strengthen the Office's existing assessments of implementing partners and review all prospective partners against the Risk Management Unit database together with the Risk Management Unit;

(b) review the current assessment modality and templates and align them to corporate requirements through a guidance note to all programme/project staff to strengthen the capacity assessment process; and

(c) ensure that all implementing agreements include the new assessment requirements prior to clearing documentation for signature.

The Office will adjust project implementation arrangements with implementing partners to take into account the risks identified by capacity assessments.

Signing of project documents: As of 2014, all new project documents are reviewed and cleared in line with corporate guidelines. A Local Project Appraisal Committee has been established and guidance note issued requiring the participation of all key partners in the review process, and all new project documents will be signed by the Government.

Project boards: Project boards will be regularized for all new projects. Terms of reference for project board meetings, with clear set roles of members including chairing arrangements, will be developed and circulated among partners. The Office will review the 'Sub-Office Guidelines' to ensure proper sub-office representation at project board meetings. The Policy and Planning Unit at the Office and sub-office levels will report on the status of project board meetings on a quarterly basis.

Reporting: Programme/project staff are currently providing quarterly reports in addition to their donor mandated reporting requirements. The process of review and verification has been strengthened to ensure higher quality and assurance of the information being provided at both the narrative and financial levels. The process of review involves the project, programme, monitoring and evaluation, and programme finance functions prior to clearance by the Policy and Planning Unit and sign-off by the senior management.

Project assurance functions: The structure of the programme teams in the Office and sub-office are being reviewed in order to boost quality assurance and oversight functions. The Office will ensure increased field verification visits by programme assurance staff and proper filing of monitoring reports. The Policy and Planning Unit at the Office and sub-office levels will report on the status of field verification visits on a quarterly basis.

Estimated completion date: 31 December 2014

D. Procurement

Issue 4 Contracts awarded without competitive process

In cases where there is a significant change in the scope/type of work for an existing contract, UNDP's procurement guidelines call for a new competitive process to be conducted.

A company, which was awarded in October 2011 with a long-term agreement for camp management and security capacity for UNDP in Mogadishu, was given additional scope to render other services not included in the initial long-term agreement without competition. Furthermore, this was not in accordance with procurement guidelines as there was a substantive change in the scope and nature of work to be performed (quality control) and services were to be provided in a in a location different from the original contract.

- The additional work entailed quality control management as well as camp management and security for the UN compound in Garowe. Total value of additional work between May 2012 and March 2014 was $683,000.

- The contractor was also awarded civil works outside of the scope of its existing long-term agreement without a competitive selection process in 16 instances, with total value of $487,700, between 1 February 2012 and 30 March 2013.

In addition, the Procurement Unit was not fully engaged in the negotiation of the initial contract and the succeeding amendments. There was a lack of segregation of duties in the management and implementation of the initial contract and the corresponding changes. The Deputy Country Director (Operations) approved the initial contract to this company as a waiver of competitive selection for $100,000, signed off on the contract, and approved the $100,000 purchase order. The authority to waive competitive selection is given to the head of the office in their personal capacity and this was outside of his level of authority. The same held true with the succeeding contract amendments relating to changes in the scope, duration, costs, and location of services.

Given the amendments to the initial contract, and given that duties were not properly segregated and no competitive process took place, it is difficult to ascertain whether the Office obtained best value for money, or whether risks associated with complex procurement activities were mitigated. The amendments to the original contract of $705,036 in October 2011 amounted to $3,759,690 by April 2014.

Priority Medium (Important)

Recommendation 4:

Adhere to procurement guidelines on management of contracts particularly in conducting competitive selection, negotiating and managing contracts, and approving payments by:

(a) ensuring that the Procurement Unit is fully engaged and responsible for the segregation of duties and approval of payments;
(b) discontinuing the practice of awarding contracts to vendors based on previous services provided or existing contracts; and
(c) not approving contracts that exceed established thresholds.

Management action plan:

Through an analysis of the supply positioning matrix, the Office will identify all strategic procurement and plan accordingly to ensure risks are identified and mitigated, and that the newly established standard operating procedures are followed.

The Office will further develop pre-qualified rosters of civil works contractors to expand the pool and improve response to our bidding processes for urgent civil works projects, including those related to security. Regular monthly monitoring of thresholds has been established and appropriate action will be taken on a case by case basis prior to reaching the Contracts, Assets and Procurement Committee threshold by any of the suppliers/vendors.

Estimated completion date: 1 October 2014

E. Common services

Issue 5 Contributions for costs of common services and premises not collected

For the effective management and collection of contributions for common premises and services, participating agencies should sign a Memorandum of Understanding. The Memorandum of Understanding should set out the details and the types of services to be rendered, the area of premises to be allocated, and the basis of apportionment of all the related costs. On the basis of this detailed information, the lead agency prepares an annual budget that is presented and approved by the participating agencies and once approved becomes the basis for billing and collecting from them their share. Regular reporting on the status of actual expenditures, billing and collection from participating agencies facilitates the timely clarification of any queries or the resolution of any disagreements.

There was a total of $8.14 million of contributions outstanding from as far back at 2010 owed by 24 participating agencies. Four agencies, including UNDP, owed about $5.35 million (66 percent) of the outstanding amount. Additionally, some agencies owing about $4.7 million were either disputing or requesting for a meeting to clarify the billing system and some of the costs attributed to them.

- The Memorandum of Understanding signed by agencies did not have adequate and clear descriptions of the type of common services as well as the apportionment of premises as the basis for allocation of costs. This lack of clarity provides room for potential differences in interpretation and calculations.

- There was no correlation between the balance of common services fund accounts recorded in Atlas and in the spreadsheet that the Office was using as a financial record, and was sharing with agencies as a basis for billing and collecting contributions. The balance of the common service fund accounts in Atlas showed a negative balance of $16.2 million, which meant that agencies owed UNDP this amount. At the time of the audit, the Office was reconciling these two records of the account.

The delayed or non-collection of contributions for common premises and services will affect the Office's ability to pay for these facilities and services in a timely manner, and will affect its ability to provide adequate services to participating agencies. In addition, having two unreconciled financial records may result in contributions not being collected for an extended period of time.

Priority	Medium (Important)

Recommendation 5:

Improve the allocation process for common premises and services and the billing system for the collection of contributions from the participating agencies by:

(a) addressing issues/queries raised by agencies and agreeing on a payment plan;
(b) redrafting the Memorandum of Understanding and providing more details on the type of services to be rendered, the apportionment of shared premises, and a methodology for allocating costs so as to provide a legal basis for billing and collection as well as resolution of current and future disputes;
(c) reconciling the common services account to determine the correct outstanding amount for reporting and collecting from the participating agencies; and
(d) ensuring that for 2014 and going forward, the common services account is used properly for recording contributions received from agencies and expenditures against the respective contribution.

Management action plan:

Starting from January 2014, the Office has developed and signed new Memorandums of Understanding with United Nations agencies, which should come into effect as of 1 July 2014. The precise list of common services for each location has been identified.

At the beginning of 2014, all common budgets were presented to the Operations Management Team for discussion and endorsement, and were subsequently taken to the Security Management Team (common-security budget) and to the United Nations Country Team (all other budgets) for approval. Billing has been submitted to all agencies, and agencies are following up with their contributions.

A budgetary review committee has been established and consists of finance officers of four United Nations agencies under UNDP leadership to review various common-services budgetary revisions, update budget status, and undertake monitoring and reporting.

Outstanding balances from 2013 are recognized by United Nations agencies, and the Office is using different platforms for discussion (bilateral, Operations Management Team, Security Management Team, United Nations Country Team, etc.) to reduce the outstanding balances.

Starting from January 2014, the Office has developed a new override policy, which is based on UNDP guidelines on risk management. The Office has suspended the utilization of override in the absence of contributions received.

Estimated completion date: 31 December 2014

F. Information communication and technology

Issue 6 Incomplete Disaster Recovery Plan

The intended effect of the Business Continuity Plan, which includes a Disaster Recovery Plan, is to ensure the continuity of operations in the event of an unscheduled interruption of operations. The plan should include details of what would trigger activation of the Business Continuity Plan; details of the critical response team, critical operations and critical vendors; alternate office location and alternate agency that can assist with critical processes should this be required, as well as wrap-up of the Plan once the interruption has ended or has been resolved. The plan should be approved by management and regularly updated and tested.

The Office did not have an approved and tested Disaster Recovery Plan since 2011. The plans from 2011 had not been approved by the head of office and the 2014 plan that was shared with OAI was still in draft form. The 2014 draft showed no alternate office location for any of the offices in the four locations, should there have been a need to relocate from existing office premises.

Without a Disaster Recovery Plan, the Office faces the risk of its operations being interrupted, and the risk of not being able to function in the event of a disaster.

Priority	Medium (Important)
Recommendation 6: Complete the 2014 Business Continuity Plan and test all critical operations and document results, address any weaknesses noted, and incorporate results into the Plan.	
Management action plan: The Business Continuity Plan is now being updated. The new Disaster Recovery Plan, as part of the Business Continuity Plan, is also being prepared and will be tested in each office via a new Disaster Recovery Plan working group which has been established under the leadership of the Information and Communication Technology Manager. **Estimated completion date:** 1 September 2014	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** — Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.

- **Partially Satisfactory** — Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.

- **Unsatisfactory** — Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** — Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.

- **Medium (Important)** — Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.

- **Low** — Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.